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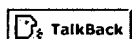
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## AOL, Wal-Mart next to team on Net service

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In a move that may give America Online access to a stream of less technologically savvy subscribers, the giant online services firm today announced a far-reaching marketing alliance with retailing giant Wal-Mart, including the launch of a low-cost Internet access service.

The alliance would create a co-branded ISP that caters to the needs of consumers who live in the more remote communities across the United States that are serviced by Wal-Mart's blanketing presence.

Bentonville, Ark.-based Wal-Mart operates more than 2,485 stores across the United States. AOL has 19 million members, while its CompuServe subsidiary has about another 2.2 million members.

The much-anticipated deal earlier this week pushed Wal-Mart stock to a new record and helped Dulles, Va.-based AOL hit a 52-week high on expectations that each company will get a piece of the puzzle that it lacked. Wal-Mart is set to relaunch its e-commerce Web site, [Wal-Mart.com](#), next month, and having a greater number of its customers connected to the Internet is likely to mean greater success for the site.

In return, AOL gets to pursue an increasingly popular strategy among Internet companies: linking up with bricks-and-mortar outlets to draw new customers onto the Net.

Microsoft today inked a similar deal with computer and electronics retailer Best Buy to cross-promote each others products and services. The deal, however, included a \$200 million investment by

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the software giant in Best Buy.

"It's always been a key priority for us to be everywhere our customers are, and with new segments of the mass market coming online there's no better way to do that than work with Wal-Mart," Bob Pittman, president of AOL, said in a statement. "This relationship provides us with a great opportunity to introduce new users to all the benefits of the Internet and enrich the experience of all online consumers."

While still split over who is likely to benefit more from these relationships--the established online players or the traditional retailers piggy-backing on them--analysts agree that the moves may attract subscribers to online services who may otherwise have never considered getting wired.

Phil Leigh, an analyst at investment bank Raymond James, said Wal-Mart customers may be more willing to try an online service offered to them by a brand-name retailer they have grown to trust.



"If someone is standing in Wal-Mart with a cart full of disks and handing them out, it gives these people who may never have been on the Net a sense of security," said Leigh.

The growing importance of this strategy is magnified as the number of people coming onto the Internet has slowed, according to Media Metrix, and Web players are searching for new ways to draw upon untapped markets.

Just yesterday, Yahoo and Softbank Venture Capital announced an agreement with Kmart to create a co-branded free Internet access service.

*Discount of sub fees*

Last month, Microsoft cut a deal with Tandy-owned Radio Shack stores to promote its MSN services, pumping \$100 million into the electronics store and featuring it on the MSN portal.

AOL has also been busy pursuing this strategy. Yesterday, it announced a partnership with computer retail chain Circuit City in which the chain will promote AOL's products and services and in return get prominent placement on AOL's site.

Earlier this fall, AOL signed a marketing deal with Seagram's Universal Studios that will bring AOL kiosks to Universal's new Island of Adventure theme park in Orlando, Fla.

In today's deal, the new co-branded Wal-Mart/AOL ISP will be a customized version of the CompuServe service--which is aimed at customers wanting lower prices. Wal-Mart customers will be given software they can use to quickly and easily create an online account with the new Internet service offering local access.

In addition to distributing the co-branded Wal-Mart/AOL ISP, Wal-Mart will also distribute AOL 5.0 software that will have an automatic link to Wal-Mart's Internet shopping site. The retailer will also promote both the Wal-Mart/AOL co-branded ISP and the AOL flagship service through print, radio and television advertising, and in-store

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Wal-Mart.com, set to be relaunched on Jan. 1, will also be placed on Shop@ areas across AOL's brands.

The companies also said they would be exploring ways to market a range of next-generation interactive devices and services--such as AOL TV--designed to appeal to Wal-Mart customers.



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